the U.S. FEDERAL BUDGET The United States is facing significant and fundamental budgetary challenges. The federal government's budget deficit for fiscal year 2011 was \$1.3 trillion; at 8.7% of gross domestic product (GDP), that deficit was the third-largest shortfall in the past 40 years. (GDP is the sum of all income earned in the domestic production of goods and services. In 2011, it totaled \$15.0 trillion.)

In 2011, federal spending (outlays) exceeded 24% of GDP, the third-highest level in the past 40 years, while federal revenues were just over 15% of GDP, the third-lowest level during that period. If economic conditions improve, spending will decline relative to GDP and revenues will rise. But even so, under current policies, a large gap between spending and revenues will persist.

Annual budget deficits occur when spending exceeds revenues; the government must borrow to cover such a shortfall. Federal debt held by the public is the total value of outstanding Treasury bills, notes, bonds, and other debt instruments (including Treasury securities held by the Federal Reserve) that have accumulated over time to finance the government's activities.

At the end of fiscal year 2011, debt held by the public amounted to \$10.1 trillion, or 67% of GDP. Another \$4.6 trillion in Treasury securities were held by other federal government accounts, representing amounts that one part of the government (mostly the Social Security Administration) had lent to another (the Treasury).

see these CBO publications:

The Budget and Economic
Outlook: An Update

For more information,

http://go.usa.gov/5H0

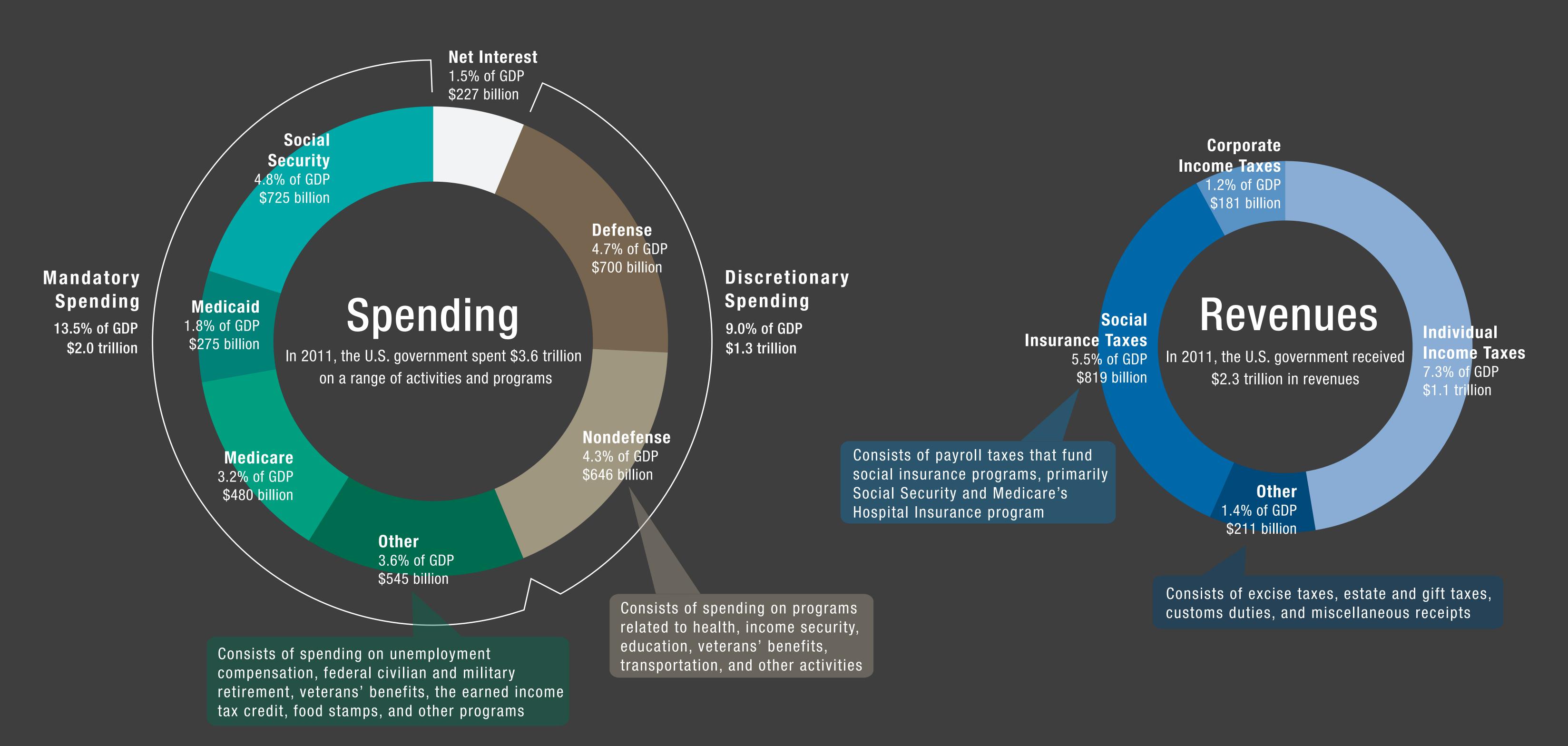
CBO's 2011 Long-Term
Budget Outlook

http://go.usa.gov/5H7

http://go.usa.gov/5HA

Reducing the Deficit: Spending and Revenue Options

An Analysis of the President's Budgetary Proposals for Fiscal Year 2012
http://go.usa.gov/5Ho



FACTS about the BUDGET

\$3.6 trillion

Amount of spending by the federal government in fiscal year 2011

\$2.3 trillion

Amount of revenues received by the federal government in fiscal year 2011

Mandatory spending

Consists primarily of benefit programs for which the Congress sets eligibility rules and benefit formulas

Discretionary spending

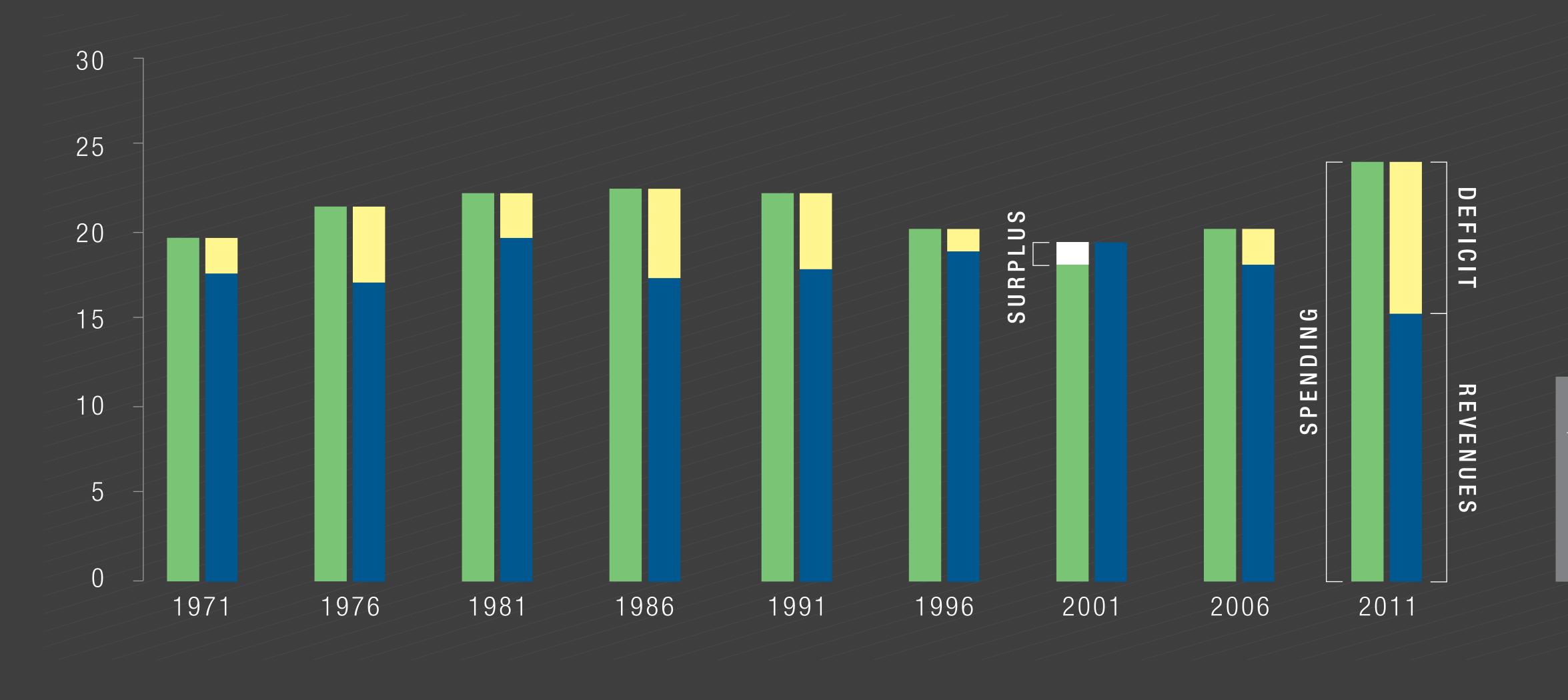
Consists of spending that lawmakers control through annual appropriation acts

Net Interest

Consists of the government's interest payments on debt held by the public, offset by interest income the government receives

Revenues

Funds collected from the public that arise from the government's exercise of its sovereign or governmental powers



THE FEDERAL BUDGET

1971—2011
(Percentage of GDP)

Annual Deficit or Surplus = Revenues – Outlays

To fund government spending in years of deficits, the government borrows from individuals, businesses, or other countries by selling them Treasury securities.

DEFICITS and the DEBT

21%

Spending as a share of GDP, on average, over the past 40 years

18%

Revenues as a share of GDP, on average, over the past 40 years

8.7%

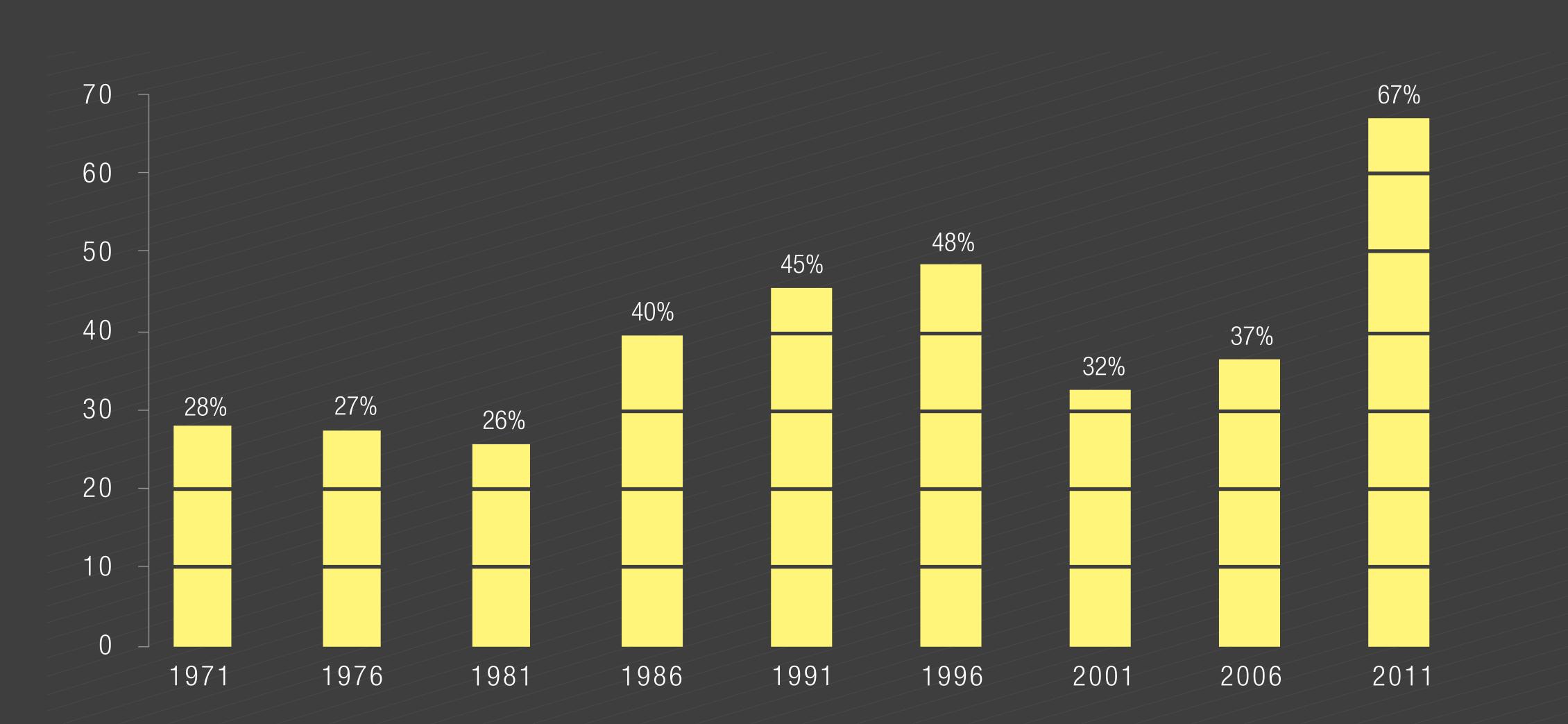
Annual deficit in 2011 as a share of GDP, the third-highest level in the past 40 years

38%

Debt held by the public as a share of GDP, on average, over the past 40 years

67%

Debt held by the public as a share of GDP at the end of 2011, the highest level in the past 40 years



THE U.S. DEBT 1971-2011

(Percentage of GDP)

Debt

Debt held by the public is roughly equal to the sum of annual deficits and surpluses. Other factors, such as borrowing to fund student loans and other federal credit programs, can also affect debt held by the public.